

## ***Statutory Refunds or Tax Incentives That Reduce Revenues***

Refunds paid to tribal governments and individual taxpayers for agricultural and other nonhighway uses of motor fuel reduce state motor fuel tax revenues. Motor fuel tax revenues are further reduced through:

- Production incentives to encourage the use of Montana agricultural products in the production of alcohol used to mix with motor fuels
- Consumption incentives to stimulate ethanol use

## ***Statutory Distributions***

Montana law statutorily distributes \$16.6 million of state motor fuel tax revenues to local governments for use in funding city and county road maintenance activities.

Consideration is also made for off-highway users that pay motor fuel taxes and for fuel distributors for aggregating collection of fuel taxes. Statutory distributions of gasoline tax revenues are provided for the following:

- Fuel distributors retain 1 percent of fuel tax collections as an allowance for collecting the tax
- 9/10 of 1 percent for the state parks account
- 15/25 of 1 percent for the snowmobile account.
- 1/8 of 1 percent for the off-highway vehicle account
- 1/25 of 1 percent for the aeronautics revenue fund



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Legislative Fiscal Division



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### **LFD Mission Statement**

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

## **LEGISLATIVE FISCAL DIVISION**



## **FOCUS ON... MONTANA HIGHWAY FUNDING**

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**Fiscal Pocket Guide**



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## ***How Montana's Highways Are Funded***

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Montana's highways are built and maintained with a combination of state special and federal special revenue funding. The primary sources of state funding are highway user fees, such as taxes on motor fuels, and size- and weight-related vehicle fees. Federal funding, predominantly fuel taxes, is from the United States Department of Transportation primarily through the Federal Highway Administration (FHWA) and the National Highway Traffic Safety Administration (NHTSA).

In fiscal 2005, Montana spent roughly \$258.4 million of state funds and \$305.2 million of federal funds on highway-related activities. These \$563.6 million funded the following major functions:

- Administration - \$44.3 million
- Construction - \$389.6 million\*
- Maintenance - \$92.9 million
- Motor carrier services - \$5.3 million
- Transportation planning - \$9.1 million
- Highway Patrol - \$18.9 million
- Motor vehicle registration - \$3.5 million

\*Includes \$7.7 million in Highway 93 bond proceeds.

## ***State Funds***

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State highways funds are divided into two categories:

- Constitutionally restricted
- Non restricted

## ***Constitutionally Restricted Revenues***

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Article VIII, section 6, of the Montana Constitution restricts the use of the fees and taxes that produce the majority of state funds supporting the operation of Montana's highways. Revenues that are constitutionally restricted are those derived from gross vehicle weight fees and excise and license taxes (except general sales and use taxes) on gasoline, fuel, and other energy sources used to propel vehicles on public highways. These restricted revenues can only be used for the following purposes unless an appropriation is approved by a three-fifths vote of the members of each house of the legislature:

- Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges
- Payment of county, city, and town obligations on streets, roads, and bridges
- Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs

## ***Motor Fuel Tax Rates***

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Current tax rates for motor fuels are:

- 27 cents for each gallon of gasoline distributed within the state
- 27 3/4 cents for each gallon of undivided special fuel or other volatile liquid, except liquid petroleum gas

## ***Nonrestricted Revenues***

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Non restricted revenues generate roughly \$7 million annually and are from the following sources:

- International Registration Plan (IRP) registration fees
- Special weight and trip permit fees
- Penalties and interest associated with motor fuels
- Miscellaneous sources not meeting the constitutional restrictions

It is these non restricted revenues that have been appropriated for other purposes in the past on a simple majority vote.

## ***Federal Funds***

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Federal-aid highway funds are typically authorized through six-year federal authorization bills that specify the allocation formulas and standards for use of federal highway funds. The legislation, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), was enacted in August 2005 and provides funding through federal fiscal year 2009. Under SAFETEA-LU, Montana stands to receive an average of \$329 million per year in federal funds compared to \$251 million received under the previous federal funding legislation, the Transportation Equity Act of the 21st Century (TEA-21). The annual increase is \$78 million or 31 percent for SAFETEA-LU over TEA-21.